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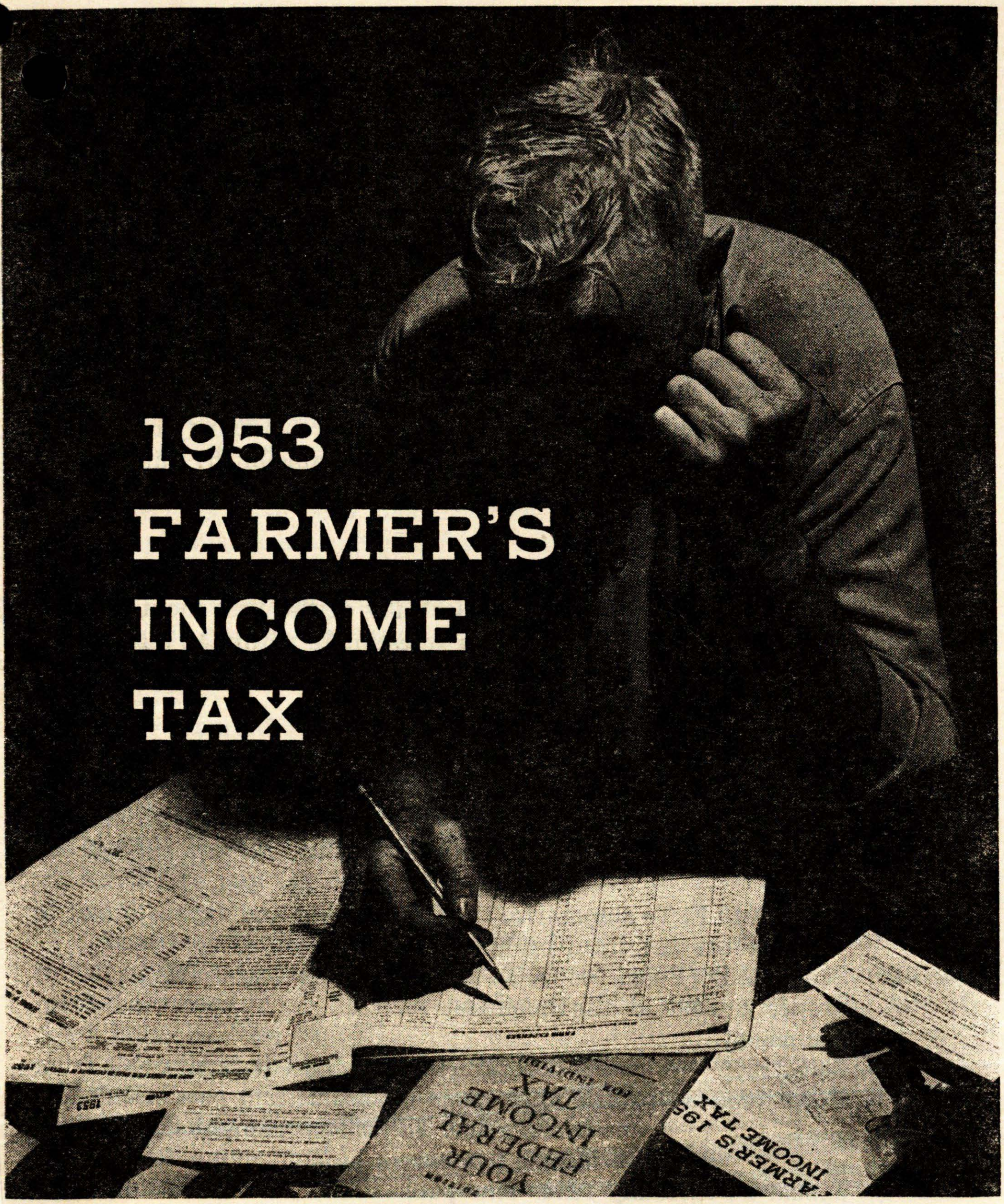
1953 Farmer's Income Tax

Agricultural Extension Service
South Dakota State College



"Why be in the dark"?

Get a Farm Record Book from your County Agent. It will help with your tax return next year if you keep it.

Approved by the Internal Revenue Service, Washington, D. C.

Extension Circular 501 **November, 1953**

SOUTH DAKOTA STATE COLLEGE

AGRICULTURAL EXTENSION SERVICE

U. S. DEPARTMENT OF AGRICULTURE

Agricultural Extension Service, George I. Gilbertson, *Director*, South Dakota State College and United States Department of Agriculture cooperating. In furtherance Acts of Congress May 8, June 30, 1914.

FARMER'S 1953 INCOME TAX*

Who Must File a Federal Income Tax Return?

Every person whose gross income during the year is $600 or more MUST file a return even though no tax is due. Gross income is total income (subject to tax) before any expenses are deducted.

Date Return Is Due

If at least two-thirds of your gross income is from farming and your business year starts January 1, you have two choices. Either,

(a) File your return and pay the tax on or before January 31, 1954; or
(b) File an estimate of your tax and pay this amount by January 15, 1954, then file your return and pay any balance due by March 15, 1954.

If your business year does not start January 1, you may file your return and pay the tax on or before the last day of the first month of the succeeding taxable year; or you may file an estimate within 15 days and a return within 2½ months after the end of your business year.

Forms Used by Farmers

Obtain from the District Director of Internal Revenue or from your local post office or bank, two copies of each of the forms needed. One copy is for your own records. It is good business to keep a copy of all returns filed.

(a) Form 1040 F. To summarize the farm income and expenses and to compute the net farm profit or loss.
(b) Schedule D (Form 1040). To show gains and losses from sales of property used in the business, such as dairy cows and farm equipment.
(c) Form 1040 and instruction pamphlet. To list the farm profit from Form 1040 F; to list other items of income and personal deductions; and to figure the tax due. The official pamphlet on how to prepare your U. S. income tax return accompanying Form 1040, should be carefully read. This publication is designed to supplement the instruction pamphlet and not duplicate it.
(d) Form 1040 ES. To declare an estimate of your tax. This form is not needed if you file your return and pay the tax on or before the last day of the first month of the succeeding taxable year.

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SPONSORED BY—North Central Farm Management Extension Committee representing Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin, with the Farm Foundation and the U. S. Department of Agriculture, Extension Service, cooperating.

(e) Forms 1099 and 1096 for use in reporting the payment of $600 or more in wages to individual workers. These two forms to be filled out and forwarded to the Internal Revenue Service, Processing Division, Country Club Station, Kansas City 2, Mo., by February 28, 1954. A copy of Form 1099 should be sent to each worker.

(f) Form 1065 for use in filing partnership reports.

(g) Form 843 for filing a claim for refund.

Reporting on Cash or Accrual Basis

Farmers may keep their records and report on either the "Cash Receipts and Disbursements Basis," or "Accrual Basis." Those who have never filed a return before have the option of using either basis, provided adequate records have been kept. However, they should carefully weigh the advantages and disadvantages of each method of reporting. Those who have filed before have established a basis for filing and cannot change to the other without written consent of the Commissioner of Internal Revenue. To secure such permission, an application to change the method and basis of the return must be filed with the Commissioner within the first 90 days of the taxable year to be covered by the return.

Over a period of years, the accrual basis of accounting usually results in a more uniform taxable income than the cash basis. Livestock feeders, grain farmers and growers of fruit, vegetable and other cash-type crops who store their crops and sell them in the next year, may find it desirable to use the accrual basis of reporting. Otherwise they face the possibility of having to pay tax on income from the sale of 2 years' production in 1 year.

Livestock farmers who produce their own replacements of breeding, dairy, or draft animals find the cash basis of reporting to their advantage under a provision of the Revenue Act of 1951, dealing with the sale of such animals. (See page 9).

A record of all farm business receipts and expenditures, together with a list of all depreciable items and a record of annual depreciation, is essential for tax reporting on either basis. The value and the cash cost of producing items consumed by the family should be excluded.

Gains from the sale of breeding, draft, or dairy livestock, machinery, or other items that can be treated as the sales of capital assets **are not** to be reported as a part of the **farm income,** in either system of accounting, and should **not** be entered on Form 1040 F. Such gains, however, are taxable and should be entered in "Schedule D."

Cash Receipts and Disbursements Basis

When the **cash basis** is used farm income includes all cash or value of merchandise or other property received during the taxable year. It does not include value of products sold or services performed for which payment was not received during the taxable year. It includes (1) receipts from the sale of all items produced on the farm, and (2) profits from the sales of livestock and other items which have been purchased, exclusive of profits from sales treated as capital assets. It is important to keep records of purchases of animals made in years past. Never charge as a current expense on page 2 of Form 1040 F the cost of livestock purchased. Such amount should be reported as the cost of the livestock in section 4, page 1, of Form 1040 F, in year of sale. Allowable deductions include those business expenses that were **paid** during the year regardless of when they were incurred. Other allowable deductions include depreciation on depreciable items. When filing returns on the cash basis, the use of Form 1040 F is required in computing net farm profits.

Accrual Basis

When the **accrual basis** is used, farm income includes all income earned during the taxable year from the sales made during that year regardless of when payment is received. In addition, it includes increases of inventory values of livestock, crops, feeds, produce, etc., at the end of the year as compared with the beginning of the year. Allowable **business expenses** include all **operating costs incurred during the taxable year, whether paid or not, plus any decrease in inventory values of livestock, crops, feeds, produce, etc.,** at the end of the year as compared with the beginning of the year. Complete inventories of livestock, crops, produce, feed, and supplies are required for reporting on the accrual basis. Inventories are not required for the cash basis of accounting.

Farmers reporting on the accrual basis are required by regulation to keep records.

Figuring Depreciation

Depreciation is an estimated operating expense covering wear, tear, exhaustion, and obsolescence of property used in the farm business. Annual depreciation allowances represent that portion of the purchase price or value of the item when acquired which the owner estimates was used up during the current tax year. The amount to be deducted as depreciation each year on any item is determined by dividing its purchase price or value when acquired, less its estimated salvage value, by the total number of years which the owner estimates the item would last if he were to keep it throughout its useful life.

There are no "official" or average life expectancies which are recognized as applicable to all farms. It is, therefore, necessary for each taxpayer to estimate the total expected life for each item on which depreciation is to be claimed. However, guides in estimating useful life of various items of farm property are published by the Internal Revenue Service in its "Bulletin F." Depreciation for the current year only may be deducted. Depreciation which was allowable but not taken in prior years cannot be deducted from income of the current year. Depreciation not previously claimed must, however, be subtracted from the original basis in determining the gain or loss from the sale or exchange of depreciable property.

It is important that the taxpayer be consistent from year to year in the method used to compute depreciation and in the amount claimed on each item. Any departure from methods used in prior years and every change in the amount of depreciation claimed should be explained at the bottom of the depreciation schedule on Form 1040 F. Such statements should give reasons why it was necessary to depart from methods used to compute depreciation in previous years.

When the estimated life of any depreciable item is either shortened or lengthened by increasing or decreasing its use or by making major improvements, it will be necessary to establish a new number of "years of life" and include the cost of such improvements in the depreciation schedule for the year in which the improvements were made. (See "Example of Record Needed for Figuring Depreciation.")

Depreciation may be taken on tile, fence, machinery, equipment, and all farm buildings except the dwelling that is owned and occupied by the taxpayer until the total cost or value at time of acquisition (less salvage value) has been recovered. (See section on "Development Costs" for additional details.)

Those who file returns on the cash basis may also take depreciation on dairy cattle, breeding, and work stock **which were purchased by the taxpayer. No depreciation is allowed or allowable** on any livestock raised by the taxpayer who files on the cash receipts and disbursement basis, since all costs of raising have been deducted as operating expenses. Those using the cash basis should list each building, each piece of machinery, and each animal on which depreciation is to be computed in the depreciation schedule. Such items as cows and small implements may be grouped on Form 1040 F, but such groupings should be made from the totaling of a detailed individual list kept current in a permanent farm record book.

Depreciation claimed should not exceed original costs less salvage value. Depreciation should not be based on replacement cost.

Special Note: See new provision for "write-off" of new grain storage, page 18.

Improvements and Overhauling

When improvements to existing buildings (new roof, new foundation, etc.) are made, or when equipment is overhauled to extend its useful life, the costs of such improvements should not be deducted as current operating expenses. Such expenditures are classified as investments in capital items and can only be recovered by depreciation throughout the years of their useful life.

The new cost of reconditioned buildings and rebuilt equipment may be determined by adding the unrecovered cost of the item, before the improvement was made, to the cash paid out for materials, parts, and labor used in making the improvement. After establishing a new life expectancy on improved structures and equipment, annual depreciation allowances are computed by dividing the new cost by the number of years of remaining life. Although this method of handling such investments is quite satisfactory, many farmers find it easier to list improvements on old buildings and major overhaul jobs on equipment as separate items on the depreciation schedule, and leave values, life expectancies, and depreciation allowances on the original buildings and equipment unchanged. When this method of handling improvements is used, the taxpayer establishes a life expectancy and computes the depreciation for each improvement as a separate item. For examples, see method of handling new barn roof, new tractor tires, and overhaul on tractor in the "Example of Record Needed for Figuring Depreciation" on page 8.

Computing Capital Gains and Losses

In either system of accounting, the cost of improvements, machinery, and equipment cannot be deducted as operating expenses. Such costs are treated as capital investments and are recovered by depreciation over a period of years representing the estimated useful life of such items.

In case such items are sold, only the gains and losses realized are taken into consideration for income tax reporting. The gain or loss on the sale of such items is determined by computing the difference between the unrecovered cost and the selling price. The unrecovered cost of an item represents the original purchase price (or original basis) plus the cost of any permanent improvements thereto, less the depreciation up to date of sale.

Section 117(j) of the Internal Revenue Code is of special interest to farmers because it specifies the treatment of gains and losses from disposition of property used in the taxpayer's business and held for longer than 6 months (12 months or more in case of livestock). Such gains and losses occur frequently in the course of most farm businesses. The main provisions of section 117(j) are outlined very briefly in the instructions on the back of Schedule D. Close study of these instructions is suggested. You will note that one of the items covered by section 117(j) is "involuntary conversion" of certain livestock. This term includes orders by governmental authorities to sell or destroy such livestock because of disease.

If the sum of all of your gains from items covered by section 117(j) exceed the sum of all of your losses from such items, all such gains and losses are treated as long-term capital gains and losses and are reported on Schedule D in the section headed "Long-term capital gains and losses—assets held for more than 6 months." If the sums of the gains does not exceed the sum of the losses, all of the gains and losses are treated as not involving capital assets. In other words, each gain is fully taxable; each loss, if allowable at all, is deductible in full. If the gains from the section 117(j) items do not exceed the losses, these items are reported in Schedule D in the section headed "(2) Property Other than Capital Assets" or on page 3 of Form 1040 in the schedule for itemized deductions in the section for "Losses from fire, storm, or other casualty, or theft," depending on the nature of the item.

Involuntary conversion of a true capital asset, such as storm damage to your residence, would go on Form 1040.

You may have items not covered by section 117(j) which give rise to capital gains or losses—such as sales of securities. These are also reported on Schedule D.

All capital gains and losses are classified as either "short-term" or "long-term." Long-term gains or losses arise from disposition of property held longer than 6 months (12 months or more in case of livestock, as discussed on page 9.)

In general, any net capital loss is allowable up to $1,000 as an offset against other taxable income. Any net long-term capital gain is only half taxable, unless offset by a net short-term capital loss. Short-term capital gains are fully taxable. Net capital losses in excess of $1,000 may be carried forward for the succeeding 5 years and applied against net capital gains and/or against ordinary income not in excess of $1,000, in any 1 year.

Purchase and Sale of Machinery and Equipment

(Not Trade-ins). The cost of purchased machinery and equipment cannot be deducted as current operating expenses but are recovered through depreciation over a period of years representing their estimated useful life.

In case machinery or equipment items are sold, only the gain or loss realized is taken into consideration for income tax reporting. The gain or loss on the sale of such items is determined by computing the difference between the unrecovered cost and the selling price. An example of how the sale of a silage cutter is handled is shown on page 28. (If the silage cutter had been owned 6 months or less, the sale would have been reported in section 4, page 1, of Form 1040 F, or in section (2) of Schedule D.)

(Trade-ins). When one machine is traded for another, the cost basis of the new machine is the cash difference paid on the new machine plus the unrecovered cost of the machine, or machines, traded in. This method holds true whether or not a machine is traded for a like machine or for a different machine. Neither the retail price of the new machine nor the trade-in allowance for the old machine would enter into the computation. Example: A farmer has a corn picker, the book value (unrecovered cost) of which is $320, and trades it for a new one, paying $700 difference. The cost basis of the new corn picker would be $700 paid plus $320 (the unrecovered cost of the machine traded in), or $1,020. For the method of handling this trade-in, see "Example of Record Needed for Figuring Depreciation" see page 8.

Another farmer has a tractor, the book value (unrecovered cost) of which is $400. He trades this tractor for another tractor which has a price tag of $2,000. The dealer allows him $900 for the old tractor on a trade for the new one. This means that he delivers the old tractor and $1,100 cash difference for the new one. Since the book value of the old tractor is $400, the cost basis for the new machine would be $400 plus $1,100 (cash to boot), or $1,500. If the old tractor had been sold outright for $900 rather than traded in and a new one purchased for $2,000, the cost basis of the new tractor would be $2,000 because no trade-in would be involved. However, there would be a profit of $500 ($900 sale price less $400 book value)on the old tractor. This $500 should be reported on Schedule D (Form 1040). This type of accounting causes the farmer to show $500 profit the year of the transaction for the privilege of charging a little more depreciation on the new tractor each year over a period of years.

EXAMPLE OF RECORD NEEDED FOR FIGURING DEPRECIATION

Item to be depreciated	Date purchased or acquired	Purchase price or value when acquired	Estimated total years of life	Remaining portion of cost at beginning of this year	New item or improvement purchased this year	Depreciation allowable this year	Remaining portion of cost at end of this year
Tractor No. 1	Jan. 10** 1950	$1,800	10	$1,260	----------	$180	$1,080
Corn picker	Jan. 3, 1949	$ 960	6	$ 320 (traded)	----------	----------	----------
	Jan. 12, 1953	$1,020*	6	----------	$ 700	$170	$ 850
Barn No. 1	Jan. 2, 1953	$3,200	40	$1,600	----------	$ 80	$1,520
Tractor overhauled	1953**	$ 400	5	----------	$ 400	$ 40	$ 360
New roof on Barn No. 1	Sept. 4, 1953	$ 600	20	----------	$ 600	$ 10	$ 590
Tires for tractor	1953**	$ 160	5	----------	$ 160	$ 16	$ 144
TOTAL		$7,180		$3,180	$1,860	$496	$4,544

*List price of new picker, $1,00; trade-in allowance for old picker, $500; leaving cash difference paid, $700. Cost of new corn picker—$700 cash paid plus $320 unrecovered cost of old picker at time traded off, or a total of $1,020.

**When day and month in year of acquisition are not given, only one-half the allowable annual depreciation should be claimed for the full year. When day and month are shown, depreciation is prorated on a monthly basis. Depreciation for one-half year was claimed on the tractor overhaul and tires, since the day and month of purchase were not given. One-third of the year's depreciation was claimed for the new roof on the barn because the record showed that it was installed September 4, 1953.

The tractor overhaul and new tires are items that may be treated as repairs or as new improvements depending upon the individual farm. To treat these items as repairs the taxpayer must be able to show that the expenditure did not change the estimated life of the machine. The farmer in this example treated these items as an improvement because they affected the estimated life of the tractor.

Purchase and Sale of Livestock

In the cash system the cost of feeder lambs, cattle, and hogs purchased for feeding cannot be deducted until the year in which they are sold. The profit from the sale is computed by deducting the cost from the sale price. The profit only is taxable income, as shown in the feeder cattle example in section 4, page 24.

In the accrual system the cost of livestock purchased is entered in a column headed "Purchased during year" and enters into the computation of net farm profit in the year of purchase. If the purchased livestock are on hand at the end of the year, their value at that time is entered in the closing inventory as shown in the beef cattle example on page 26.

Income from livestock, raised primarily for sale, is considered as ordinary income and 100 percent of it is taken into account in computing net farm profit.

To determine the gain or loss on sale of purchased breeding, draft, or dairy stock, the unrecovered cost is deducted from the selling price. When raised breeding, draft, or dairy animals are sold by the taxpayer reporting on the cash basis the full sale price is the gain, but for the accrual basis taxpayer the gain is the excess of the sales price over the inventory or depreciated value of the livestock.

In many cases, sales of breeding, draft, or dairy animals are treated as sales of capital assets, in which cases only half of the gain is taxable unless offset by capital losses. The conditions under which such sales are so treated are outlined below. These conditions apply in either cash or accrual reporting. In all other cases such sales must be treated as ordinary sales and the gains are fully taxable.

When Sales of Breeding, Draft, and Dairy Animals Are Treated as Sales of Capital Assets

Section 117(j) of the Internal Revenue Code prescribes treatment of gains and losses from sale, exchange, or involuntary conversion of certain property used in the taxpayer's trade or business as capital gains and losses under certain conditions. As amended by the Revenue Act of 1951, this section specifically defines certain livestock as "property used in the taxpayer's trade or business." The treatment prescribed by section 117(j) applies to gains and losses from such disposition of livestock if both of the following requirements are met:

1. The livestock must have been owned for 12 months or more.
2. The livestock must have been held for draft, breeding, or dairy purposes, and not primarily for sale in the ordinary course of the farm business.

Gains and losses from such disposition of livestock so owned and held are reported on Schedule D, rather than on Form 1040 F.

The term livestock is given a broad interpretation and includes cattle, hogs, horses, mules, donkeys, sheep, goats, fur-bearing animals, and other mammals. It does not include chickens, turkeys, pigeons, geese, other birds, fish, frogs, reptiles, etc.

The determination whether or not livestock are held for draft, breeding, or dairy purposes depends upon all the facts and circumstances in each particular case. The purpose for which the animal is held is ordinarily shown by the taxpayer's actual use of the animal. An animal is not held by the taxpayer for draft, breeding, or dairy purpose merely because it is suitable for such purpose or because it is held by the taxpayer for sale to other persons for use by them for such purpose.

These principles may be illustrated by the following examples:

Example 1: An animal intended by the taxpayer for use by him for breeding purposes is discovered to be sterile, and is disposed of within a reasonable time thereafter. This animal was held for breeding purposes.

Example 2: The taxpayer retires from the breeding or dairy business and sells his entire herd, including young animals which would have been used by him for breeding or dairy purposes if he had remained in business. These young animals were held for breeding or dairy purposes.

Example 3: A taxpayer in the business of raising hogs for slaughter customarily breeds sows to obtain a single litter to be raised by him for sale, and sells these brood sows within a reasonable time after obtaining the litter. Even though these brood sows are held for ultimate sale to customers in the ordinary course of the taxpayer's business, they are considered to be held for breeding purposes.

Example 4: The taxpayer is in the business of raising registered cattle for sale to others for use by them as breeding cattle. It is the business practice for the cattle to be bred, prior to sale, in order to establish their fitness for sale as registered breeding cattle. In such case, those cattle used by the taxpayer to produce calves which are added to the taxpayer's herd are considered to be held for breeding purposes; the taxpayer's use of the other young cattle for breeding purposes is an ordinary or necessary incident for the purpose of selling them as registered breeding cattle, and such use does not demonstrate that the taxpayer is holding the cattle for breeding purposes. The same applies to hog and sheep breeders.

Example 5: A taxpayer engaged in the business of buying cattle and fattening them for slaughter, purchased cows with calf. The calves were born while the cows were held by the taxpayer. These cows were not held for breeding purposes.

Refund of Tax on Livestock Sales

Under the Revenue Act of 1951, a farmer who reported as ordinary income the gain from the sale of dairy, breeding, or work stock in 1950 that were held for over 6 months may recompute the tax for that year, treating the sale of such animals as the sale of a capital asset and file an amended return or a claim for refund on Form 843 for the overpayment of tax. However, the claim for 1950 must in most cases be filed by March 15, 1954.

In addition he may make an amended return for any year with respect to which a consent agreement (Form 872) is still in force. He also may file a claim for refund for any year prior to 1950 to the extent of payments which have been made within the past 2 years.

In a review of the request for refund, the entire return and the supporting evidence are subject to rechecking.

Examples of Capital Gain and Loss Computations

On page 28 of this publication, there is an example demonstrating the computation of capital gains and losses in cash basis reporting.

The farmer in this example sold four dairy cows, a herd bull and two sows, some standing trees as stumpage, and an old silage cutter. These transactions are entered in section (1) of Schedule D, because the grains from these items—the only items in this return that are covered by section 117(j) of the Code—exceed the losses.

In this example, two of the cows had been raised by this farmer, and all the allowable costs for those two cows had been deducted as farm expenses on previous tax returns. Therefore, the entire $425 received for them is considered as gain. The two sows were also raised, and the $150 received for them is considered as gain. The other two cows had been purchased for $400, and the depreciation while they were owned was $266.65. The gain realized on the two purchased cows was, therefore, $266.65 (the original cost, $400, minus depreciation, $266.65 = $133.35 subtracted from the sale price, $360 = $226.65). The trees, which were estimated to have cost $200, were sold standing for $1,200, resulting in a gain of $1,000. The silage cutter was sold for $65, which represents a loss of $15 ($290 cost minus $210 depreciation in previous years, compared with the sale price of $65). The herd bull, purchased in 1950 and used for over 2 years, was sold for $300. A gain of $225 was realized (cost, $105, minus depreciation $30 = $75, subtracted from sale price, $300 = $225). Since all the total gains exceed the total losses, all are treated as involving capital assets and are entered in section (1) "Capital Assets" on Schedule D (Form 1040). The net taxable gain of $1,005.83 as figured on Schedule D is carried over to page 2 of Form 1040 where it is combined with the income from farm operations.

If the total gains had not been greater than the total losses, the entries would have been made at the bottom of Schedule D, in section (2), "Property Other Than Capital Assets." Assume instead, for example, that there had been no sale of timber, that all four of the cows had been purchased in 1952 for $1,200 and that the total depreciation on them was $200, and that the bull had been purchased for $300, of which $67.50 had been recovered as depreciation. In this instance the cow sales would have resulted in a loss of $215, which is the difference between the selling price of $785 and the book value of the cows, $1,000 (the original cost of $1,200 less $200 depreciation). The sale of the bull would have resulted in a gain of $67.50. In this situation the gains ($217.50) would not have been greater than the losses ($230). Therefore, the gains and losses would have been entered in full, and a net loss of $12.50 would have been carried to page 2 of Form 1040.

These transactions would have been entered on Schedule D, as follows:

(2) PROPERTY OTHER THAN CAPITAL ASSETS

1. Kind of property	2. Date acquired month, day, year	3. Date sold month, day, year	4. Gross sales price (contract price)	5. Depreciation sllowed (or allowable) since acquisition on March 1, 1913 (attach schedule)	6. 3osts or other basis and cost of subsequent improvements (If not purchased, attach explanation)	7. Expense of sale	8. Gain or loss (col. 4 plus col. 5, less sum of cols. 6 and 7)
1. 4 dairy cows	4–5–52	4–11–53	$785	$ 200	$1,200	$	$—215
1 bull	1–6–51	1–11–53	300	67.50	300		67.50
2 sows	raised	6–11–53	150		raised		150
Silage cutter	1–14–45	1–12–53	65	210	290		— 15
2. Enter here the sum of gains or losses or difference between gains and losses shown above. Also enter on line 2, Schedule D, page 2, Form 1040							$— 12.50

Sale of Timber

If you usually sell only small amounts, you may prefer to treat receipts from sale of timber as ordinary income. Receipts would then be listed, together with other farm income, on page 1 or 3 of Form 1040 F, and you would include with your farm expenses on page 2 of Form 1040 F not only the expenses of the timber operations, but also an allowance (depletion) for a return of your original capital investment in the timber cut. For example, if, when you bought the farm, you estimated the timber was worth $1,500 and this year you cut and sold one-fifth of the timber, you may deduct $300 (one-fifth of $1,500) as depletion (a return of capital). The profit on the (one-fifth of $1,500) as depletion (a return of capital). The profit on the timber becomes a part of your net farm profit and is taxed as ordinary income.

Under certain conditions the cutting of timber, and under most conditions a sale of **standing** timber, may be treated as the sale of a capital asset. In such case, provided the timber has been held for more than 6 months, you may be taxed at a substantially lower rate than that applying to your ordinary income. For further information see your district director of internal revenue, or see Agricultural Handbook No. 52, for sale by the Superintendent of Documents, Washington 25, D. C. at 20 cents.

Development Costs

Amounts spent in developing orchards and farms generally must be treated as capital investments, some of which are depreciable, and some must be added to the value of the land. Some typical items, the cost of which must be treated as capital investment, are: Clearing brush, trees, and stumps; leveling and conditioning land; the cost of trees, and the planting of trees; installing drain tile or ditches; straightening creek beds; construction of terraces or ponds; and constructing tanks, reservoirs, dams, irrigation systems or roads.

In determining whether or not particular expenditures must be added to the cost basis of the land or can be depreciated, you may divide them into two broad classes:

1. Development costs incurred in clearing land, or earthen improvements. These cannot be depreciated, therefore, their cost should be added to the value of the land. This type of development cost includes land leveling, terracing, earthen dams for farm ponds, ditches, clearing land, stump, and timber, earthen irrigation ditches, etc.

Special Note: The Tax Court of the United States held, in the case of Collingwood versus Commissioner of Internal Revenue (20 T. C. No. 132, Promulgated Sept. 4, 1953), that the cost of terracing on the petitioner's farms was deductible as ordinary and necessary (current) business expense. (This is contrary, of course, to the position expressed above, and held by the Commissioner for many years.) In the Collingwood case, the terraces were for the sole purpose of reducing water erosion to maintain the productivity of the farms in normal and customary operation—not to prepare it for new or additional uses. Some earlier terraces had been obliterated. The petitioner's farms were not more valuable after the terracing had been done—it did not change the fertility of the soil or make farm operations easier.

The Commissioner has 3 months (from Sept. 4, 1953) in which to appeal from this decision. Whether he will do so or whether this decision may affect the Internal Revenue Service's position in regard to similar expenditures on other farms have not been decided at the time this bulletin goes to press.

2. Development costs incurred in the installation of other than earthen improvements. These costs can be depreciated over the years of life expectancy. This type of development cost includes tiling, masonry work such as concrete spillways, reservoirs, etc., and fruit trees.

Payments of a capital nature must always be capitalized. Furthermore, during the development period when no income is being produced the taxpayer may elect to treat **operating expenses** such as those for upkeep of grove or orchard property, taxes, water for irrigation purposes, cultivating and spraying of trees, as either capital investments in the orchard or grove, or current expenses.

Sale of a Farm

The income tax law provides for reporting gains and losses from the sale of farm real estate, and in certain cases unharvested crops, in the same manner that gains and losses from the sale of other capital items are reported.

All gains and losses resulting from the sale of farms are computed in the following manner:

1. Add the cost of all improvements that were made during the period of ownership to the original purchase price paid for the farm. (However, if the farm was acquired prior to March 1, 1913, or if it was not acquired by purchase, special rules may apply. These special rules are covered in the instructions on the back of Schedule D.)
2. Subtract from this sum the total of all depreciation during the period of ownership.
3. From the selling price of the farm and unharvested crops, subtract the sum of (1) the amount computed in step 2, and (2) the cash cost of producing the unharvested crop.
4. Subtract from the amount computed in step 3 the cost of selling the farm (commission, abstracting, recording fees, etc.). The remainder will be the gain or loss—which is to be reported in Schedule D, and filed with Form 1040.

If the seller had owned the farm for only 6 months or less, all the gain from its sale must be reported as ordinary income. If the seller has owned the farm for more than 6 months the gain or loss will be treated as explained on page 15. Losses experienced in such sales are not always fully deductible in the year of sale. See page 8.

Installment Sale

Under certain conditions a taxpayer may elect to use a special method of figuring his taxable gain from the sale of a farm. This special method is known as the "installment sales" method. The "installment sales" method, when a farm is sold, can be used when there are initial payments which do not exceed **30 percent** of the selling price. Initial payments include any down payment and all other cash or property (other than notes of the purchaser) received in the year of sale. Many farmers sell their farms and receive a small initial payment. This is frequently true when a sale is made to a son. The installment method gives the taxpayer relief from the burden of paying tax on income which has not been collected, until it is collected.

There are certain terms that must be understood when a taxpayer sells his farm on the "installment sales" method. They are:

1. **Initial Payments** received in the year of the sale include not only down payment but also all other cash payments and property other than notes received in the year of sale.
2. **Selling price** is the entire cost of the farm to the purchaser. It includes the cash, and evidence of indebtedness received from the buyer in addition to any mortgage on the property assumed by the buyer.

3. **Contract Price:** When no mortgages are involved, the selling price is also the "contract price." If the selling price is payable partly in cash and partly on time, secured by a purchase money mortgage from the buyer to the seller, the selling price is likewise to contract price.

   It often occurs that the seller has a mortgage on the farm, and when he sells the farm, he arranges that the obligation to repay the loan or mortgage shall be assumed by the buyer. When the mortgage assumed by the buyer does not exceed the seller's cost or other basis of the farm, the contract price is equal to the sale price less the amount of the mortgage. When the amount of the mortgage exceeds the cost or other basis, the amount in excess is included both in the contract price and in the initial payments.
4. **Percentage of Gross Profits:** Gross profit is the selling price minus the cost or other basis of the farm sold. The percentage of gross profit is the ratio between the gross profit and the contract price. The total amount collected during the taxable year, multiplied by the percentage of gross profit, results in the amount of income realized during the year.

Example of Sale of Farm on "Installment Sales" Method

A farmer on January 2, 1953, sold his farm. The *selling price* was as follows:

To be paid in cash	$30,000.00
Mortgage assumed by buyer	12,292.50
Selling price	$42,292.50

The initial payments were:

Down payment	$ 4,500.00
Monthly payments $100 per month, paid in 1953	1,200.00
Initial payments	$ 5,700.00

The gross profit on sale of the farm was:

Selling price	$42,292.50
Seller's basis (figured on Schedule D)	22,785.05
Gross profit	$19,507.45

The **contract price** is:

Selling price	$42,292.50
Less: Mortgage assumed by buyer	12,292.50
Contract price	$30,000.00

Percentage of Gross Profit:

$$\frac{\text{Profit to be realized} = \$19{,}507.45}{\text{Contract price} = \$30{,}000.00} = 65\%$$

The profit realized on the 1953 receipts is 65 percent of $5,700, or $3,705.

As the farm sold was a capital asset held for more than 6 months, the realized profit is a long-term capital gain of which only 50 percent ($1,852.50) is taxed unless offset by capital losses.

Each year, until total profit from sale of farm is liquidated, the seller should figure and report profits realized during the year, based on the amount of payments received. He is taxed on only half of this amount unless all or part of it is offset by capital loss. When the seller dies, the tax based on amount of profit still outstanding must be paid, unless executor gets permission from Internal Revenue and posts bond to continue on installment basis.

As the sale of a farm may increase the seller's tax liability by several hundred dollars, it is always advisable for the seller of such property to obtain the services of an internal revenue official or some other competent tax authority in executing Schedule D and in making his income tax return.

Sale of Farm Residence

When the sale of a farm includes the taxpayer's principal residence and he buys property within 1 year after (or before) the sale which he uses as his new residence, the gain from the sale of the old residence may be excluded from gross income if the cost of the new residence equals or exceeds the sale price of the old one.

In using this provision, the portions of the sale and purchase prices which are allocable to the residences involved must be determined.

Following is an example:

	Farm, Including Residence	Residence Only (Estimated)	Farm, Not Including Residence
Sale Price	$41,000	$9,000	$32,000
Cost (or other basis)	20,000	5,000	15,000
Gain	$21,000	$4,000	$17,000

Gain recognized: If no other residence is purchased, $21,000.* If another residence is purchased for $9,000 or more (as part of another farm, or a town residence), $17,000.*

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* This is only 50 percent taxable (if held for longer than 6 months) unless offset by capital losses.

Election as to Commodity Credit Loans

When a farmer obtains a loan from the Commodity Credit Corporation and pledges his crops as security, the proceeds of the loan would not ordinarily be considered as income when received. Income would not be realized until the pledged crops are sold. If they are sold in a later year, the production expenses incurred in the previous year could not be deducted to reduce that income.

To provide relief, the income tax law permits the farmer to choose to include the amount of the loan in his income **in the year in which it is received,** instead of in the year when the commodity is finally sold. If he once makes such an election, then he must follow this method in succeeding years, including in his gross income all amounts received in those years as loans from the Commodity Credit Corporation, unless he gets the permission of the Commissioner of Internal Revenue to change to a different method of treatment.

To obtain such permission, an application to change the method and the basis of the return must be filed with the Commissioner within the first 90 days of the taxable year to be covered by the return.

Commodity Credit Corporation loans are usually settled in one of two ways. The crop is either delivered in payment of the loan or the loan is paid off and the crop sold on the market. At the time the Commodity Credit Corporation loan is settled, if more is realized from the commodity than the amount of the loan, the difference is included as gross income the year the crop is sold. This procedure applies when the Commodity Credit Corporation loan has been included as gross income.

Losses From Storms and Other Casualties

A farmer, like any other individual, may deduct for loss or damage to property, resulting from fire, theft, storm, flood, or other sudden, unexpected, external destructive force.

The amount of the loss, in the case of farm business property, is the unrecovered cost of the property (see page 6) reduced by its salvage value and any compensation received from insurance or otherwise. In the case of non-business property, the loss is the difference between the market value immediately before the destructive event and its value immediately afterward (but not exceeding the cost or other basis of the property) reduced by any insurance or other compensation. In case of damage to shrubs and ornamental trees the amount of the loss is not limited to the investment in the trees or shrubs but is measured by the difference in the value of the realty before and after the casualty. In no case is the repair or restoration cost to be considered in arriving at the amount of the loss.

Casualty losses are reported on Schedule D or on Page 3 of Form 1040. (See page 6.)

QUESTIONS AND ANSWERS

What Are the Important Recent Changes?

Only one important change affecting farmers has been made in the law.

This change provides that the taxpayer may elect to "write off" the cost of constructing, reconstructing or erecting a grain storage facility (if built or erected in the calendar years 1953–56 inclusive) over a 60-month period, instead of taking the ordinary deduction for depreciation based on the estimated useful life of the facility. The 60-month period may begin with the month following completion, or with the succeeding taxable year.

If a taxpayer elects to "write off" the cost over a 60-month period, he must include, in his Federal income tax return for the first year in which it is taken, a statement that he is making this election. Likewise, a taxpayer may elect to discontinue the 60-month "write off" as of the beginning of any month specified in a notice filed with the Secretary of the Treasury before the beginning of such month. He will thereafter be entitled to use a normal rate of depreciation on the remaining cost of the grain storage facility.

Under the new law a grain storage facility includes any corn crib, grain bin or similar structure suitable primarily for the storage of grain, which is intended by the farmer to be used for the storage of grain produced by him. Altering or adapting another structure for grain storage or enlarging an existing grain storage facility is considered as construction of a grain storage facility.

How Do Partnerships Report?

A partnership does not pay any income tax, but it must file an information return on Form 1065. This form, which may be supported by details on Form 1040 F, shows the amount of income of the partnership and how this income is distributed among the partners. Each individual partner then includes in his income on Form 1040 his share of the partnership income. The ordinary landlord-tenant relationship does not constitute a partnership. Therefore, each party to the landlord-tenant contract should file his tax return as an individual, reporting only his individual income and expenses.

How Do You Report Patronage Refunds From Cooperatives?

Patronage refunds received as cash, or in the form of stock certificates from farm cooperatives, generally should be included in farm income on Form 1040 F. Cooperative refunds arising from expenditures for groceries or other personal nonbusiness purposes, usually do not enter into taxable income computations. Refunds arising from the purchase of depreciable items, such as machinery, should either be added to income or be used to reduce the cost basis of the items and not reported as income. Dividends or interest on stock owned in cooperatives should be reported as income on Form 1040. (See "Farming" in the official instructions on how to prepare your U. S. income tax return on Form 1040.)

How Do You Report Agricultural Program Payments?

All government payments, such as those for approved conservation practices, must be included in gross income, whether received in cash or in materials such as fertilizer or lime. Where fertilizer was received under a government program, include the value of the fertilizer in income and offset this receipt by an entry under expenses covering the value of the fertilizer (as figured in the government program) plus any cash handling charges. Where the government payments are based on improvements such as the construction of terraces* and ponds, or on lime spread on the land, there may be no offsetting entry under current expenses. An expenditure for terraces* and ponds represents capital investment and should be added to the cost of the land. The cost of lime should be handled as discussed in the next question.

How Is the Cost of Liming Handled?

If the benefit from lime is essentially limited to 1 year, or if maintenance applications are made each year, the cost is a deductible expense in the year the lime is spread. If, however, the benefit extends over a number of years, the cost should be distributed over such a period. The portion of the cost attributed to each year need not be the same if the annual benefits from the liming are clearly greater in the early part of the period than in the last.

Can Wages Paid to Your Child Be Deducted as an Expense?

Reasonable cash wages paid by a father to a minor child for work actually performed as a bona fide employee in the farm business may be deducted as a business expense. Such wages are included in the income of the child and may result in the child's having taxable income. If the father takes the child's earnings and utilizes them for his own purposes, or if the father requires the child to purchase his own clothing or other necessities which the father is obligated to furnish, the deduction of the child's earnings as a business expense will be disallowed to that extent.

A farmer should not charge as expense his estimate of the value of his labor or other unpaid family labor.

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* See special note on page 13.

Can Board of Hired Labor Be Deducted?

Board and room and supplies furnished to hired labor are deductible only to the extent that they are purchased by the farmer. This excludes food raised on the farm and used in boarding laborers.

Are Livestock Death Losses Deductible?

Cash basis: If an animal that was born and raised on your farm dies, you **cannot** deduct for it, because the cost of raising the animal has been deducted as operating expenses previously. If the animal was purchased, you **can** deduct your loss, but the method of deducting it depends on the cause of the death of the animal. (The amount of your loss is the cost of the animal, less depreciation and any insurance received.) If the animal was killed by a destructive force, such as lightning, or by order of governmental authorities (because of disease), the loss should be handled in Schedule D. If the loss was by natural causes, such as old age or sickness, the amount of the loss should be entered on the blank line of the summary at the bottom of page 1, Form 1040 F, with an explanation.

Accrual basis: When the value of the animal appears in the beginning-of-year inventory and not in the end-of-year inventory, the loss is automatically accounted for in the change in inventory value. Any money received from insurance or indemnity would be entered as other farm income.

Is the Loss or Damage to a Growing Crop Deductible?

No, but any insurance received as a result of such loss or damage should be reported as other farm income.

What Business Outlays Are Not Deductible as Cash Expenses?

Capital investments and repayment of debt principal are not deductible as current operating expenses. Capital investments include new equipment, new buildings, major improvements to old buildings, and major overhaul of machinery. The line between ordinary repairs and major improvements is often hard to draw. The general rule is: If the improvement substantially lengthens the life of the building or changes the use of the structure, it should be considered a capital investment. In such cases add the cost of the improvement to the amount shown on Form 1040 F, page 2, Depreciation, columns 3 and 5. If necessary the life expectancy is changed to the new estimated life, and entered in column 6 of the depreciation table, Form 1040 F. Thereafter the amount of depreciation claimed each year will be the new cost divided by the estimated life.

Who May Be Claimed as a Dependent?

A taxpayer may claim credit for a child or other "close relative" if he furnished over half the support and the dependent's income is less than $600. The official instructions on how to prepare your U. S. income ta return on Form 1040 give a complete explanation of who is a close relative for this purpose.

A taxpayer does not include the income of his children or other dependents on his return. But if a child, for example, has $600 or more income, a return must be filed by him or in his behalf.

Should Separate or Joint Returns Be Filed?

The law permits husbands and wives to divide their income for tax purposes. This is permitted only when a joint return is filed. This is accomplished on Form 1040. Unless the taxpayer had unusually large medical bills paid during the year or other unusual situations, it is usually advantageous taxwise to file a joint return when a tax is due. When a joint return is made, the tax is computed on the combined income of the husband and wife, and the total liability is assumed by either or both.

What About Hired Farm Workers?

A hired farm worker who expects to earn $600 or more during any calendar year should file a declaration of estimated tax (Form 1040 ES) by March 15 of the current year.

The hired worker includes in his income, at a fair market value, the board and lodging that he receives, unless such board and lodging are not compensatory, because it is necessary for him to live on his employer's premises in order to fulfill his duties. For example, if the worker must be available at the farm at all times for emergencies, and if he receives full wages in cash at the regular scale, the value of board and lodging would not be included in the worker's income.

Where Can I Get Help To Fill Out My Forms?

Many taxpayers prefer to use the services of a person who works with income tax forms rather than fill them out themselves. Representatives of the district director of internal revenue are available insofar as their services can be spread. Other people make it a business to help individuals to prepare their returns.

Regardless of the assistance obtained by the taxpayer, it should be remembered that he and he alone assumes full responsibility for the accuracy and completeness of the figures included in the income tax return.

Whether professional services are used or you fill out your own forms, there is a minimum of information that must be collected in advance, if the return is to be reasonably accurate. This information includes a record summary of all farm business receipts and expenses, a record of profits or losses on the sale of purchased livestock, a depreciation schedule for all farm buildings, machinery, and other depreciable property, and all income and expenses of a personal nature that should be taken into account.

Farmers should collect this information as the year progresses in some kind of organized system of records rather than trust to memory or meager records at tax-reporting time. It is well to remember that the tax return is no more accurate than the information that went into it.

Can You Carry Back and Carry Forward Net Operating Losses?

Yes, if not offset by income from other sources. If you show a net loss on your return for the current year (because of unprofitable farm operations), you can use this business loss to offset income in other years. If you paid a tax in 1952 you can claim a refund based on refiguring the tax for that year taking into account the 1953 loss. You can also carry any remaining excess of the net operating loss forward for 5 years. A 1953 operating loss should be used first to claim a refund (on Form 843) of taxes paid on 1952 income. Any unused operating loss should be used to offset income in 1954, 1955, 1956, 1957, and 1958, in that order.

In carrying forward operating losses, those on either basis should report the loss on line 5, Schedule C Summary, on page 2 of Form 1040.

What Recourse Have You if Your Return is Questioned?

If your return is questioned and, at a conference with a local representative of the Internal Revenue Service, payment of additional tax is required, you may (1) ask for an informal conference for the purpose of discussing the proposed adjustments with a conferee; or (2) if it is clear to you that you owe the amount requested, sign a waiver and pay the additional tax. If you are not satisfied with the explanation furnished by the conferee, you should not sign a waiver and you will receive a 30-day letter. The receipt of a 30-day letter gives you 30 days from the date of the letter in which to decide whether the additional tax is owed and to choose one of three courses of action. First, you may file a formal protest under oath, with the district director and request that the case be transferred to the Appellate Division of the District. Second, you can, by request, or by simply failing to respond during the 30-day period, secure the issuance of the statutory notice from which an appeal may be taken to the Tax Court of the United States. Third, you may sign the waiver form enclosed with the 30-day letter.

How Do Social Security Taxes Affect the Farmer's Income Tax?

The social security tax paid by a farmer on wages of hired farm workers is a business expense and should be included in farm expenses. This tax paid by the farmer-employer should be reported under farm expenses as "social security tax on wages." In reporting farm expenses, the wages paid (including the tax withheld from the worker) should be itemized separately from the tax paid by the farmer-employer.

How Is Depreciation on Commercial Orchards Computed?

Depreciation on the taxpayer's investment in a commercial orchard (the investment in the trees, apart from the investment in the land on which they stand) is allowable. The investment in the trees is the price the taxpayer paid for them (or his "other basis") and any costs he incurred in bringing them to bearing age. (See "Development Costs" on page 12.) However, if an orchard was developed by the present owner and the costs of development were deducted, on previous tax returns, as **annual operating expenses,** then depreciation **cannot** be justified, because the costs have already been charged off.

The taxpayer should make a reasonable estimate of the probable length of the productive life of the trees, based on their age when he acquired them, the species and variety of the trees, the soil type, and all other pertinent information. (See "Figuring Depreciation" on page 4.)

Interest on U. S. Savings Bonds—How Treated?

Interest actually received, as in the case of G bonds and the new H and K bonds, must be reported as income in the year in which received. In the case of bonds issued at a discount, such as the new E and J bonds, a taxpayer on the cash basis may report the interest each year as it accrues, or he may defer reporting the interest until the bonds are matured or cashed. But if he starts reporting the accrued interest each year, he cannot change to another method unless he receives permission from the Commissioner of Internal Revenue. A taxpayer on the accrual basis must include the accrued interest each year in his return.

Can You Correct an Error (of Fact, Arithmetic, or a Failure to Follow Law and Regulations) in a Return that has been Filed?

Yes, by filing an amended (corrected) return for the year in question. The amended return should be made on the forms for the year of the incorrect return, should be labeled "amended," and must be filed within 3 years after the due date of the incorrect return. An amended return, including all of the supporting schedules, is subject to rechecking.

FORM 1040 F
U.S. Treasury Department
Internal Revenue Service

SCHEDULE OF FARM INCOME AND EXPENSES 1953

For Calendar Year 1953

Attach This Form to Your Income Tax Return Form 1040 and File It With the District Director of Internal Revenue for Your District.

Or taxable year beginning ...., 1953, and ending ...., 195....

Name James and Jane Farmer
Address Jonesville, State
Location of farm or farms 2 miles south Jonesville
Number of acres in each farm 200

If Your Accounts Are Kept on a Cash Basis, fill in Pages 1 and 2.
If You Keep Books on an Accrual Basis and Desire to Use This Form, Fill in Pages 2 and 3 Instead.

FARM INCOME FOR TAXABLE PERIOD COMPUTED ON CASH RECEIPTS AND DISBURSEMENTS BASIS

(See Instructions on Schedule D (Form 1040) for tax treatment of certain livestock held for draft, breeding, or dairy purposes)

1. SALE OF LIVESTOCK RAISED			2. SALE OF PRODUCE RAISED			3. OTHER FARM INCOME	
Kind	Quantity	Amount	Kind	Quantity	Amount	Items	Amount
Cattle*		$	Grain wheat	725	$ 1,250	Mdse. rec'd for produce	$
Horses			Hay			Machine work	
Mules			Cotton			Hire of teams	
Sheep			Tobacco			Breeding fees	
Swine*	60	2,330	Potatoes	15	25	Rent rec'd in crop shares	
Calves	10	450	Sugar beets			Work off farm	25
			Vegetables			Wood and lumber	
Chickens			Fruits			Other forest products	
Turkeys			Nuts			Agricultural program payments	40
Ducks			Dairy products		5,548		
Goats			Eggs		292	Patronage dividends, rebates or refunds, if not reported elsewhere in return	20
Bees			Meat products				
Other (specify):			Poultry, dressed				
			Wool and mohair			Other (specify):	
			Honey			Gas tax refund	18
			Sirup and sugar			Feed bags	12
			Other (specify):				
TOTAL		$ 2,780 (Enter on line 1 of summary below)	TOTAL		$ 7,115 (Enter on line 2 of summary below)	TOTAL	$ 115 (Enter on line 3 of summary below)

4. SALE OF LIVESTOCK AND OTHER ITEMS PURCHASED

1. Description	2. Date acquired	3. Gross sales price (contract price)	4. Cost or other basis	5. Depreciation allowed (or allowable) since acquisition or March 1, 1913	6. Profit (column 3 plus column 5 minus column 4)
20 head cattle	1952	$ 5,000	$ 2,775	$	$ 2,225
** chickens	1953	154	50		104
TOTAL (enter on line 4 of summary below)					$ 2,329

SUMMARY OF INCOME AND DEDUCTIONS COMPUTED ON A CASH RECEIPTS AND DISBURSEMENTS BASIS

1. Sale of livestock raised	$2,780	6. Expenses (from page 2)	$ 6250
2. Sale of produce raised	7,115	7. Depreciation (from page 2)	1,082
3. Other farm income	115	8. Other deductions (specify):	
4. Profit on sale of livestock and other items purchased	2,329		
5. GROSS PROFITS	$12,339	9. TOTAL DEDUCTIONS	$ 7,332

10. Net farm profit (or loss) (line 5 minus line 9) to be reported in Schedule C Summary, Form 1040 ... $ 5,007

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* 4 cows, 1 bull, and 2 sows sold, reported on Schedule D.
** If the sale of this item is reported in sec. 1, page 1, the cost of the chicks may be reported as farm expense on page 2.

FARM EXPENSES FOR TAXABLE YEAR (See Instructions)

(Do not include personal or living expenses or expenses not attributable to production of farm income, such as taxes, insurance, repairs, etc., on your dwelling)

1. Items	2. Amount	3. Items (Continued)	4. Amount (Continued)
Labor hired	$ 1,215	Rent of farm, part of farm, or pasturage	$
Feed purchased	1,760	Freight, yardage, express, and trucking	
Seed and plants purchased	155	Automobile upkeep (farm share)	125
Machine hire	25	Amortization of grain storage facilities (attach statement)	
Supplies purchased	50	Other farm expenses (specify):	
Cost of repairs and maintenance		Farm papers	10
Breeding fees	60	Accounting service	30
Fertilizers and lime	585	Building and fence repair	295
Veterinary and medicine for livestock	75	Machinery repair	325
Gasoline, other fuel and oil for farm business	540	Tractor expense	85
Storage and warehousing		Truck expense	195
Taxes	405	(These expenses are taken	
Insurance on property (except your dwelling)	120	from the farm account	
Interest on farm notes and mortgages	35	book.)	
Water rent, electricity, and telephone	160		
TOTAL OF COLUMNS 2 AND 4 (enter on line 6 of summary on page 1 (cash basis) or line 7, page 3 (accrual basis))			$ 6,250

DEPRECIATION (See Instructions)

1. Kind of property (If buildings, state material of which constructed). Exclude land and other nondepreciable property	2. Date acquired	3. Cost or other basis	4. Depreciation allowed (or allowable) in prior years	5. Remaining cost or other basis to be recovered	6. Life used in accumulating depreciation	7. Estimated life from beginning of year	8. Depreciation allowable this year
Barn No. 1	1-5-38	$ 2,400	$ 900	$ 1,500	40	25	$ 60
Barn No. 2	"	750	375	375	30	15	25
*Other buildings	"	3,000	1,130	1,870	-	-	118
Tractor	1-10-51	1,500	300	1,200	10	8	150
Auto (farm share)	1-15-50	400	240	160	5	2	80
Corn picker	7-1-53	1,020	—	1,020	6	—	85
Overhaul Tractor	7-11-53	400	—	400	5	—	40
Tires for Tractor	4-5-53	160	—	160	5	—	24
*Other machinery	—	4,000	1,200	2,800	—	—	380
3 purchased cows	1-15-50	600	300	300	6	3	100
Bull	1-2-53	140		140	7		20
TOTAL (enter on line 7 of summary on page 1 (cash basis) or line 8, page 3 (accrual basis))							$ 1,082

Cash Basis

* All buildings and equipment are listed on a detailed depreciation schedule in the farm account book.

FARM INVENTORY FOR INCOME COMPUTED ON AN ACCRUAL BASIS

(Do not include certain livestock held for draft, breeding, or dairy purposes. See instructions on Schedule D (Form 1040).)

Description (Kind of livestock, crops, or other products)	On Hand at Beginning of Year: Quantity	On Hand at Beginning of Year: Inventory value	Purchased During Year: Quantity	Purchased During Year: Amount paid	Raised During Year: Quantity	Raised During Year: Inventory value	Consumed or Lost During Year: Quantity	Consumed or Lost During Year: Inventory value	Sold During Year: Quantity	Sold During Year: Amount received	On Hand at End of Year: Quantity	On Hand at End of Year: Inventory value
Cows	14	$2,800		$	2	$		$		$	16	$3,200
"	4	800							4	785		
2-yr. heifers	4	600			4						6	900
1-yr. "	4	400			4						4	400
Heifer calves	4	200			12				10	450	2	100
Herd bull	1	175	1	140					1	300	1	140
Beef cattle	20	3,500	20	2000					20	5,000	20	2500
Hens	100	100					30		60	74	100	100
Chicks			220	50			50		80	80		
Brood sows	3	150									3	250
" "	2	150							2	150		
Boar	1	100									1	100
Pigs	30	600			62		2		60	2,330	30	600
Eggs										292		
Milk										5,548		
Potatoes	10	20			25		10		15	25	10	20
Hay	45	900			80		80				45	900
Corn	1,400	2,100			1,200		1,600				1,000	1,500
Oats	700	560			800		900				600	540
Silage	50	300			80		85				45	270
Straw	10	100			15		15				10	100
Wheat	150	300			725		100		725	1,250	150	300
Mill feed	2	160									2	200
TOTALS		$12,890 (Enter on line 4)		$2,190 (Enter on line 5)		$		$		$15,049 (Enter on line 2)		$12,120 (Enter on line 1)

Accrual Basis

The values circled are not added in. These appear on Schedule D.

SUMMARY OF INCOME AND DEDUCTIONS COMPUTED ON AN ACCRUAL BASIS

1. Inventory of livestock, crops, and products at end of year		$12,120
2. Sales of livestock, crops, and products during year		15,049
2a. Other miscellaneous receipts (specify):		
Work off the farm		25
PMA 40, Patronage refund 20		60
Gas tax refund 18, Feed bags 12		30
3. TOTAL		$27,284
4. Inventory of livestock, crops, and products at beginning of year	$12,890	
5. Cost of livestock and products purchased during year	2,190	15,080
6. Gross profits (line 3 minus the sum of lines 4 and 5)		$12,204

7. Expenses (from page 2)	$6250
8. Depreciation (from page 2)	962
9. Other deductions (specify):	
10. TOTAL DEDUCTIONS	$7,212

11. Net farm profit (or loss) (line 6 minus line 10) to be reported in Schedule C Summary, Form 1040 . . $4,992

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FARM EXPENSES FOR TAXABLE YEAR (See Instructions)

(Do not include personal or living expenses or expenses not attributable to production of farm income, such as taxes, insurance, repairs, etc., on your dwelling)

Accrual Basis

1. Items	2. Amount	3. Items (Continued)	4. Amount (Continued)
Labor hired	$ 1,215	Rent of farm, part of farm, or pasturage	$
Feed purchased	1,760	Freight, yardage, express, and trucking	
Seed and plants purchased	155	Automobile upkeep (farm share)	125
Machine hire	25	Amortization of grain storage facilities (attach statement)	
Supplies purchased	50		
Cost of repairs and maintenance		Other farm expenses (specify):	
Breeding fees	60	Farm papers	10
Fertilizers and lime	585	Accounting service	30
Veterinary and medicine for livestock	75	Building and fence repair	295
		Machinery repair	325
Gasoline, other fuel and oil for farm business	540	Tractor expense	85
Storage and warehousing		Truck expense	195
Taxes	405		
Insurance on property (except your dwelling)	120		
Interest on farm notes and mortgages	35		
Water rent, electricity, and telephone	160		
Total of Columns 2 and 4 (enter on line 6 of summary on page 1 (cash basis) or line 7, page 3 (accrual basis))			$ 6,250

DEPRECIATION (See Instructions)

Accrual Basis

1. Kind of property (If buildings, state material of which constructed). Exclude land and other nondepreciable property	2. Date acquired	3. Cost or other basis	4. Depreciation allowed (or allowable) in prior years	5. Remaining cost or other basis to be recovered	6. Life used in accumulating depreciation	7. Estimated life from beginning of year	8. Depreciation allowable this year
Barn No. 1	1-5-38	$ 2,400	$ 900	$ 1,500	40	25	$ 60
Barn No. 2	"	750	375	375	30	15	25
*Other buildings	"	3,000	1,130	1,870			118
Tractor	1-10-51	1,500	300	1,200	10	8	150
Auto (farm share)	1-15-50	400	240	160	5	2	80
Corn picker	7-1-53	1,020		1,020	6		85
Overhaul tractor	7-10-53	400		400	5		40
Tires for tractor	4-5-53	160		160	5		24
*Other machinery		4,000	1,200	2,800			380

* All machinery and buildings are listed on a detailed depreciation schedule in the farm account book.

Total (enter on line 7 of summary on page 1 (cash basis) or line 8, page 3 (accrual basis)) $ 962

SCHEDULE D (Form 1040)
U. S. Treasury Department
Internal Revenue Service

GAINS AND LOSSES FROM SALES OR EXCHANGES OF PROPERTY 1953

For Calendar Year 1953 or taxable year beginning ...., 1953, and ending ...., 195...

Name and address James and Jane Farmer, Jonesville, State

16—69196-1

(1) CAPITAL ASSETS

1. Kind of property (If necessary, attach statement of descriptive details not shown below)	2. Date acquired Mo. Day Year	3. Date sold Mo. Day Year	4. Gross sales price (contract price)	5. Depreciation allowed (or allowable) since acquisition or March 1, 1913 (attach schedule)	6. Cost or other basis and cost of subsequent improvements (If not purchased, attach explanation)	7. Expense of sale	8. Gain or loss (column 4 plus column 5 less sum of columns 6 and 7)
SHORT-TERM CAPITAL GAINS AND LOSSES—ASSETS HELD NOT MORE THAN 6 MONTHS							
1. 5 shares stock	11-10-52	2-4-53	$ 500	$	$ 525	$	$ -25
2. Enter your share of net short-term gain or loss from partnerships and common trust funds							
3. Enter unused capital loss carry-over from 5 preceding taxable years (attach statement)							
4. Enter sum of short-term gains or losses or difference between short-term gains and losses shown above							$ -25
LONG-TERM CAPITAL GAINS AND LOSSES—ASSETS HELD FOR MORE THAN 6 MONTHS							
5. 2 dairy cows	raised	4-11-53	425	–	raised		425
2 dairy cows	1-15-50	12-17-53	$ 360	$ 266.65	$ 400	$	$ 226.65
Silage cutter	1-14-45	1-12-53	65	210	290		-15
1 bull	1-6-51	1-11-53	300	30	105		225
2 sows	raised	6-11-53	150	–	raised		150
stumpage	1-5-38	6-11-53	1,200		*200		1000
6. Enter the full amount of your share of net long-term gain or loss from partnerships and common trust funds							
7. Enter sum of long-term gains or losses or difference between long-term gains and losses shown above							$2011.65

Cash Basis

	Gain or loss to be taken into account (a) Gain	(b) Loss
8. Enter net short-term gain or loss from line 4	$	$ 25
9. Enter net long-term gain or loss from line 7	$2,011.65	$
Use lines 10 through 13 only if gains exceed losses in lines 8 and 9.		
10. Enter short-term gain (line 8, col. a) reduced by any long-term loss (line 9, col. b)	$	x x x x x
11. Enter long-term gain (line 9, col. a) reduced by any short-term loss (line 8, col. b)	$1,986.65	x x x x x
12. Enter 50 percent of line 11	$ 993.33	x x x x x
13. Enter here and on line 1, Schedule D, page 2, Form 1040, the sum of lines 10 and 12	$ 993.33	x x x x x

1. Kind of property	2. Date acquired	3. Date sold	4. Gross sales price	5. Depreciation	6. Cost or other basis	7. Expense of sale	8. Gain or loss
SHORT-TERM CAPITAL GAINS AND LOSSES—ASSETS HELD NOT MORE THAN 6 MONTHS							
1. 5 shares stock	11-10-52	2-4-53	$ 500	$	$ 525	$	$ -25
2. Enter your share of net short-term gain or loss from partnerships and common trust funds							
3. Enter unused capital loss carry-over from 5 preceding taxable years (attach statement)							
4. Enter sum of short-term gains or losses or difference between short-term gains and losses shown above							$ -25
LONG-TERM CAPITAL GAINS AND LOSSES—ASSETS HELD FOR MORE THAN 6 MONTHS							
5. 4 dairy cows	1945-50	1953	$ 785	$ inventory	$ 800	$	$ -15
silage cutter	1-14-45	1-12-53	65	210	290		-15
1 bull	1-6-51	1-11-53	300	inventory	175	–	125
2 sows	3-4-52	6-11-53	150	"	150	–	0
stumpage	1-5-38	6-11-53	1,200		*200		1000
6. Enter the full amount of your share of net long-term gain or loss from partnerships and common trust funds							
7. Enter sum of long-term gains or losses or difference between long-term gains and losses shown above							$1095

Accrual Basis

	Gain or loss to be taken into account (a) Gain	(b) Loss
8. Enter net short-term gain or loss from line 4	$	$ 25
9. Enter net long-term gain or loss from line 7	$1095	$
Use lines 10 through 13 only if gains exceed losses in lines 8 and 9.		
10. Enter short-term gain (line 8, col. a) reduced by any long-term loss (line 9, col. b)	$	x x x x x
11. Enter long-term gain (line 9, col. a) reduced by any short-term loss (line 8, col. b)	$1070	x x x x x
12. Enter 50 percent of line 11	$ 535	x x x x x
13. Enter here and on line 1, Schedule D, page 2, Form 1040, the sum of lines 10 and 12	$ 535	x x x x x

*This is the estimated value of the trees (sold this year for 1200) when they were acquired in 1938 as part of the farm. This 200 is substracted from the cost of the land in computing gain or loss on sale of the farm if it is sold later.

FORM 1040
U.S. Treasury Department
Internal Revenue Service

U. S. INDIVIDUAL INCOME TAX RETURN
FOR CALENDAR YEAR 1953

1953

Do not write in these spaces

Serial No.

(Cashier's Stamp)

or taxable year beginning ...., 1953, and ending ...., 195....

Name James and Jane Farmer
(PLEASE PRINT. If this is a joint return of husband and wife, use first names of both)

HOME ADDRESS R. D. 1
(PLEASE PRINT. Street and number or rural route)

Jonesville (City, town, or post office) (Postal zone number) State (State)

Social Security No. .... Occupation Farmer

Your exemptions

1. List your name. If your wife (or husband) had no income, or if this is a joint return, list also her (or his) name.

A. James Farmer
B. Jane Farmer
(Your wife's name—do not list if she is filing a separate return or if she had income not included in this return)

Check below if at the end of your taxable year you or your wife were—
65 or over ☐ Blind ☐
65 or over ☐ Blind ☐

On lines A and B below—
if neither 65 nor blind write the figure 1
if either 65 or blind write the figure 2
if both 65 and blind write the figure 3

Number of exemptions for you 1
Number of her (or his) exemptions........ 1

Name—and address if different from yours

C. List names of your children (including stepchildren and *legally* adopted children) with 1953 gross incomes of less than $600 who received more than one-half of their support from you in 1953. See Instructions.

Calvin Farmer
Betty Farmer

Enter number of children listed..... 2

D. Enter number of exemptions claimed for other close relatives listed in Schedule I on page 2.....

E. Enter total number of exemptions claimed in A to D above 4

--- Please Attach All Original W-2 Forms Here ---

Your income

2. Enter your total wages, salaries, bonuses, commissions, and other compensation received in 1953, *before payroll deductions*. Persons claiming traveling or reimbursed expenses, see Instructions.

Print Employer's Name	Where Employed (City and State)	Total Wages	Income Tax Withheld
		$	$
	Enter total →	$	$

3. If you received dividends, interest, or any other income (or loss), give details on page 2 and enter the total here .... 6,000 | 33

4. Add amounts shown in items 2 and 3, and enter the total here .... $ 6,000 | 33

How to figure the tax

(Unmarried or legally separated persons qualifying under Schedule J as "Head of Household," check here ☐.)
IF YOUR INCOME WAS LESS THAN $5,000.—Use the tax table on page 4 *unless you itemize deductions*. The table allows about 10 percent of your income for charitable contributions, interest, taxes, medical expenses, etc. If your deductions exceed 10 percent, it will usually be to your advantage to itemize them and compute your tax on page 3.
IF YOUR INCOME WAS $5,000 OR MORE.—Compute tax on page 3. Use standard deduction or itemize deductions, whichever is to your advantage.

Tax due or refund

5. (A) Enter your tax from table on page 4, or from line 13, page 3. $ 666 | 06
   (B) Enter your self-employment tax from line 35, separate Schedule C.
   Enter total here → $ 666 | 06

6. How much have you paid on your 1953 income tax?
   (A) By tax withheld (in item 2, above). Attach Original Forms W-2. $
   (B) By payments on 1953 Declaration of Estimated Tax (include any overpayment on your 1952 tax not claimed as a refund).
   Enter total here →

7. If your tax (item 5) is larger than payments (item 6), enter *balance of tax due* here. This balance must be paid in full with return........ $ 666 | 06

8. If your payments (item 6) are larger than your tax (item 5), enter the *overpayment* here → $

Enter amount of item 8 you want $.............. (Credited on 1954 estimated tax) $.............. (Refunded)

Do you owe any prior year Federal tax for which you have been billed? (Yes or No) No Is your wife (or husband) making a separate return for 1953? (Yes or No) No If "yes," write her (or his) name ....
If you have filed a return for a prior year, state latest year 1952 Where filed? District Directors City
To which District Director's office did you pay amount claimed in item 6 (B), above? ....

I declare under the penalties of perjury that this return (including any accompanying schedules and statements) has been examined by me and to the best of my knowledge and belief is a true, correct, and complete return.

(Signature of person, other than taxpayer, preparing this return) (Date)

James Farmer (Signature of taxpayer) Jan. 9, 1954 (Date)

(Name of firm or employer, if any)

Jane Farmer (Signature of taxpayer's wife or husband if this is a joint return) Jan. 9, 1954 (Date)

➧ To assure split-income benefits, husband and wife must include all their income and, even though only one has income, BOTH MUST SIGN. 16—60102-1

Schedule A.—INCOME FROM DIVIDENDS

Name of corporation declaring dividend	Amount	Name of corporation declaring dividend	Amount	
	$		$	
			Enter total here→	$

Schedule B.—INCOME FROM INTEREST

Name of payor	Amount	Name of payor	Amount	
	$		$	
			Enter total here→	

Schedule C Summary.—PROFIT (OR LOSS) FROM BUSINESS OR PROFESSION, FARMING, AND PARTNERSHIP

1. Business profit (or loss) from separate Schedule C, line 23 .... $
2. Farm profit (or loss) from separate schedule, Form 1040F. cash basis .. 5007
3. Partnership, etc., profit (or loss) from Form 1065, Schedule K, Column 3...

(Partnership name) (Address)

4. Total of lines 1, 2, 3 .... $
5. Less: Net operating loss deduction (attach statement)..........
6. Net profit (or loss) (line 4 less line 5)........ 5007

Schedule D.—NET GAIN OR LOSS FROM SALES OR EXCHANGES OF CAPITAL ASSETS, ETC.

1. From sale or exchange of capital assets (from separate Schedule D) cash basis..... 993 33
2. From sale or exchange of property other than capital assets (from separate Schedule D).......

Schedule E.—INCOME FROM ANNUITIES OR PENSIONS

1. Cost of annuity (amount you paid).. $
2. Cost received tax-free in past years..
3. Remainder of cost (line 1 less line 2)........ $
4. Amount received this year.. $
5. Excess of line 4 over line 3..
6. Enter line 5, or 3 percent of line 1, whichever is greater (but not more than line 4)..

Schedule F.—INCOME FROM RENTS AND ROYALTIES

1. Kind and location of property	2. Amount of rent or royalty	3. Depreciation or depletion (explain in Schedule H)	4. Repairs (attach itemized list)	5. Other expenses (attach itemized list)
	$	$	$	$
1. Totals........	$	$	$	

2. Net profit (or loss) (column 2 less sum of columns 3, 4, and 5)........

Schedule G.—INCOME FROM OTHER SOURCES INCLUDING ESTATES AND TRUSTS

1. Estate or trust ______ (Name) (Address)
2. Other sources (state nature)

Total income (or loss) from above sources (Enter here and as item 3, page 1)........ $ 6,000 33

Schedule H.—EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED IN SCHEDULE F

1. Kind of property (If buildings, state material of which constructed. Exclude land and other nondepreciable property	2. Date acquired	3. Cost or other basis	4. Depreciation allowed (or allowable) in prior years	5. Remaining cost or other basis to be recovered	6. Life used in accumulating depreciation	7. Estimated life from beginning of year	8. Depreciation allowable this year
		$	$	$			$

Schedule I.—EXEMPTIONS FOR CLOSE RELATIVES OTHER THAN WIFE AND CHILDREN—(See Instructions)

1. Name of dependent relative. Also give address if different from yours	2. Relationship	3. Did dependent during 1953— (a) Have gross income of $600 or more?	(b) Reside in your home?	(c) Receive entire support from you?	4. If answer to either 3(b) or 3(c) is "No" enter amount spent for dependent's support in 1953 by— You (and your wife if this is a joint return)	Others, and by dependent from own funds
					$	$

Enter here and as item 1D, page 1, the number of other close relatives claimed above ....

Schedule J.—HEAD OF HOUSEHOLD (See Instructions)
(Not applicable where wife or husband died during taxable year)

If all of the following questions are answered "Yes," you may determine your tax as Head of a Household:

1. Were you unmarried (or legally separated) at the close of your taxable year? (Yes or No) ________
2. Was your home occupied during the entire taxable year as the principal residence of both yourself and (*a*) a person for whom you are entitled to an exemption, or (*b*) your unmarried child, grandchild, or stepchild, even though not a dependent? (Yes or No) ________

List name(s) and relationship to you ________

3. Did you furnish more than one-half of the cost of maintaining the household during the taxable year? (Yes or No) ________ If you did not furnish the entire cost, state total amount furnished by you $________; by all others (including those sharing your home) $________. Deductions on page 3 are to be determined without reference to this schedule.

16—69192-1

ITEMIZED DEDUCTIONS—FOR PERSONS NOT USING TAX TABLE ON PAGE 4 OR STANDARD DEDUCTION ON LINE 2 BELOW—
If Husband and Wife (Not Legally Separated) File Separate Returns and One Itemizes Deductions, the Other Must Also Itemize

Describe Deductions and state to whom paid. If more space is needed, attach additional sheets.

Contributions		$	
	Total Contributions (not more than 20 percent of item 4, page 1)		$
Interest		$	
	Total Interest		
Taxes		$	
	Total Taxes		
Losses from fire, storm, or other casualty, or theft		$	
	Total Allowable Losses (not compensated by insurance or otherwise)		
Medical and dental expenses (*if over 65 see Instructions*)		$	
	Net Expenses (not compensated by insurance or otherwise)	$	
	Enter 5 percent of item 4, page 1; subtract from Net Expenses		
	Allowable Medical and Dental Expenses. See Instructions for limitation		
Miscellaneous (*See Instructions*)		$	
	Total Miscellaneous Deductions		
	Total Deductions		$

TAX COMPUTATION FOR CALENDAR YEAR 1953 (For Other Taxable Years Attach Form 1040 FY)

1. Enter amount shown in item 4, page 1. This is your Adjusted Gross Income		$ 6,000 33
2. If deductions are itemized above, enter total of such deductions. If deductions are not itemized *and line 1, above, is $5,000 or more:* (*a*) married persons filing separately enter $500, (*b*) all others enter 10 percent of line 1, but not more than $1,000		600 03
3. Subtract line 2 from line 1. Enter the difference here. This is your Net Income		$ 5,400 30
4. Multiply $600 by total number of exemptions claimed in item 1E, page 1. Enter total here		2,400
5. Subtract line 4 from line 3. Enter difference here. (If line 1 includes partially tax-exempt interest, see Instructions)		$ 3,000 30
If line 5 is not more than $2,000 ——		
6. Enter 22.2 percent of amount shown on line 5 and disregard lines 7, 8, and 9		$
If line 5 is more than $2,000 ——		
7. **And you are a single person, a married person filing separately, or a head of household ——** Single persons and married persons filing separately use Tax Rate Schedule I on page 12 of Instructions to figure tax on amount on line 5; heads of household use Tax Rate Schedule II		$
8. **And you are filing a joint return ——**		
(*a*) Enter one-half of amount on line 5	$ 1,500.15	
(*b*) Use Tax Rate Schedule I on page 12 of Instructions to figure tax on amount on line 8 (*a*)	333.03	
(*c*) Multiply amount on line 8 (*b*) by 2		$ 666 06
9. If alternative tax computation is made, enter here tax from separate Schedule D		$
Disregard lines 10, 11, and 12, and copy on line 13 the same figure you entered on line 6, 7, 8 (*c*), or 9, unless you used itemized deductions		
10. Enter here any income tax payments to a foreign country or U. S. possession (attach Form 1116)	$	
11. Enter here any income tax paid at source on tax-free covenant bond interest		
12. Add the figures on lines 10 and 11 and enter the total here		$
13. Subtract line 12 from line 6, 7, 8 (*c*), or 9. Enter difference here and as item 5 (A), page 1		$ 666 06

16—69162-1

CHECK LIST OF FARM EXPENSES

In general the farmer may deduct from gross receipts all expenditures directly connected with the farm business except those which represent capital investments. The latter most generally may be recovered through depreciation. (See page 4.) Many of the expenditures are partly business and partly personal. Deduct only that part which has to do with the farm business.

Labor Hired
- Day labor
- Season and year labor
- Piecework
- Cash board

Feed Bought
- Grain
- Other cooncentrates
- Beet pulp
- Feed mixing hired
- Hay
- Other roughage

Seeds & Plants Bought
- Corn
- Oats
- Rye
- Wheat
- Other grains
- Legumes
- Grass
- *Vegetables
- Seed mixtures
- Seed treatment
- Plants & vines bought

Machine Work Hired
- Tractor
- Silo filling
- Hay baling
- Ginning
- Air plane dusting
- Other machine work

Supplies Bought
- Strainer discs
- Washing powders
- Leg Bands
- *Stamps and stationery
- *Light bulbs & fuses

Tying Material
- Wire
- Rope
- Twine
- Rubber bands

Containers
- Bags
- Boxes
- Egg cases
- Poultry and other crates
- Baskets
- Cans and pails
- Bottles and caps

Insect and Disease Control
- Sprays
- Dusts
- Other materials

Machinery Repairs
- Machine-shop work
- Repair parts
- Blacksmith work
- Harness repairs

*Farm Bldg. Repairs
- Roofing
- Painting
- Plumbing
- Wiring
- Cement
- Lumber
- Glazing
- Nails, screws, bolts
- Greenhouse
- Coldframes

Livestock Fees
- Breeding
- Registration, transfer
- Cow testing
- Exhibition
- Sheep shearing

Fertilizer Bought
- Mixed fertilizer
- Phosphate
- Potash
- Nitrogen
- Lime
- Manure

Veterinary
- Services
- Equipment
- Dips
- Disinfectants
- Fly control
- Medicines
- Vaccines
- Poultry flock treatment
- Dehorning

*Fuel, Light, Power
- Gasoline
- Fuel oil
- Oil and grease
- Coal
- Electricity

*Taxes
- Real estate
- Other farm property
- Auto & truck use tax

Insurance Premiums
- *Farm buildings
- Livestock
- Crops
- Accident & Liability

Interest Paid
- Notes
- Chattel mortgages
- Real estate mortgage

Rent, Cash
- **Pasture**
- **Cropland**
- **Buildings**

Trucking Hired
- Hauling crops
- Hauling livestock
- Hauling milk
- *Other hauling
- *Freight & express
- *Parcel post

*Auto and Truck
- Gas and oil
- Antifreeze
- Repairs
- Tires
- Operator's licenses
- Insurance

Poultry Bought
- Chicks and poults
- Other poultry
- Hatching eggs
- Custom hatching

Miscellaneous
- Commissions
- Advertising
- Storage
- Farm papers
- Bedding & litter
- Small tools and equipment
- Fencing materials
- *Telephone
- Farm organization dues
- Farm business travel

* Particular care should be used with these items to make sure that expenses are not included.

Farm Income: The sale of any of the items listed below constitutes farm income. Some farmers will have other sources of farm income that do not appear on this list.

*Livestock
- Feeder pigs
- Boars
- Fat hogs
- Sows
- Gilts
- Stags
- Feeder cattle
- Fat cattle
- Veal calves
- Heifers
- Cows
- Bulls
- Lambs
- Ewes
- Rams
- Goats
- Horses
- Mules
- Hens
- Broilers
- Frying chickens
- Turkeys
- Ducks
- Geese
- Bees

Livestock Products
- Milk
- Cream
- Butter
- Buttermilk
- Cheese
- Eggs
- Dressed poultry
- Dressed meat
- Wool
- Lard
- Hides
- Honey

*Woodland Products
- Standing trees
- Logs
- Posts
- Poles
- Ties
- Fuel wood
- Chemical wood
- Mine props
- Christmas trees

Crops
- Field corn
- Popcorn
- Sweet corn
- Soybeans
- Wheat
- Oats
- Rye
- Barley
- Sorghum
- Grass seed
- Clover seed
- Lespedeza seed
- Alfalfa seed
- Tomatoes
- Potatoes
- Tobacco
- Pumpkins
- Melons
- Pickles
- Mint
- Apples
- Peaches
- Pears
- Berries
- Maple sirup
- Cider

Miscellaneous
- Custom work
- Machine rental
- Breeding fees
- Mdse. for produce
- Rent received in crop shares
- Agricultural program payments
- Insurance rec'd. on loss of growing crops
- Sales of gravel
- Interest on cropper accounts
- Cash rent
- Refunds (of items claimed as expenses)
- Patronage refunds

* Under certain conditions some of these items may be treated as the sale of capital assets (see pages 6, 11, 12 and 28).